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Poultry and Products

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Report Highlights:

Mexico's 2007 chicken meat production forecast has been revised lower, although it is still expected to exceed the 2006 level. Higher feed costs are expected to dampen production in 2007. Consumption for 2007 is still expected to slightly surpass 2006 at around 3.1 MMT, and imports are also forecast higher. The growing trend towards vertical integration and consolidation in Mexico's poultry industry is expected to slow due to new Federal regulations.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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PSD Table									
Country	Mexico								
Commodity	Poultry, Meat, Broiler (MIL HEAD)(1000 MT)(PERCENT)								
	2005 Revised			2006 Estimate			2007 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin	01/2005			01/2006			01/2007		
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	2,498	2,510	2,498	2,610	2,635	2,576	2,724	0	2,641
Whole, Imports	0	0	0	0	0	0	0	0	0
Parts, Imports	374	360	378	400	378	430	424	0	454
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	374	360	378	400	378	430	424	0	454
Total Supply	2,872	2,870	2,876	3,010	3,013	3,006	3,148	0	3,095
Whole, Exports	1	0	0	0	0	0	0	0	0
Parts, Exports	0	1	0	0	1	0	0	0	0
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	1	1	0	0	1	0	0	0	0
Human Consumption	2,871	2,869	2,876	3,010	3,012	3,006	3,148	0	3,095
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	2,871	2,869	2,876	3,010	3,012	3,006	3,148	0	3,095
Total Use	2,872	2,870	2,876	3,010	3,013	3,006	3,148	0	3,095
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	2872	2,870	2,876	3,010	3,013	3,006	3,148	0	3,095

Not official USDA Data

Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psd>

SECTION I. SITUATION AND OUTLOOK

PRODUCTION

Mexico's chicken meat production forecast for MY 2007 (Jan-Dec) is revised downward by 3.1 percent from the previous forecast to 2.6 MMT due in part to higher input costs. However, this figure is still slightly higher than the revised MY 2006 production estimate of about 2.5 MMT. Although Mexican producers enjoy favorable demand for their products, industry sources report a slow down in production compared to previous years due to a combination of factors, including higher feed and production costs and competition from imports.

Mexico's poultry industry has invested in modern technologies to enhance its competitive position. Nevertheless, some producers remain concerned about their competitive position when the market fully opens in 2008. Mexico's poultry sector has focused on consolidation and improved positioning in the domestic market through increased distribution and marketing of value-added poultry products. Poultry will continue to cost less relative to other meats in Mexico, which should give the sector advantages over other animal protein sources. The estimate for MY 2005 production has been adjusted slightly lower based on final industry data.

Concerns over increased feed costs have become a key issue for Mexico's poultry industry. Feed costs represent 55 to 60 percent of the total cost of production for Mexican producers, which are major users of imported feedstuffs from the United States. Industry sources report that 60 percent of the feedstuff usage is comprised of sorghum and yellow corn, 23 percent from oilseeds and protein meals, and 17 percent from other products such as safflower, orthophosphate, calcium, and methionine. About 40 percent of the sector's consumption of yellow corn and sorghum is imported from the United States. Mexico's poultry producers prefer yellow corn to sorghum because of its better nutritional value and the color it gives to the birds' skins.

Historically, Mexico has been a white corn producer and only a small percentage of its corn production has been utilized as animal feed, which has compelled the poultry industry to import the grain from the United States. The recent surge in corn prices led to turmoil in retail poultry and egg prices (but not producer prices) throughout the country. In November 2006, the Poultry Producers Association (UNA) estimated that for every \$1,000 pesos per ton increase in coarse grains, poultry prices would increase by about \$2 pesos/kg. Industry sources report that a price hike in January 2007 was due more to speculation rather than a lack of supply or higher production costs. Industry research showed that prices in some retail chains jumped from \$26.90 pesos (USD \$2.48) per kilogram in November, to \$32.00 pesos (USD \$2.80) per kilogram in December. In fact, it was reported that there was an oversupply of poultry meat in December due to slack demand. Further price escalations that started in mid-February appear to reflect higher international corn prices. Producers also note that production costs have also increased due to higher costs for electricity, packing materials and transportation.

According to Mexico's poultry organization (UNA), feed consumption for MY 2005 was 13.2 MMT, (8.3 MMT of feed grains, 2.6 MMT of oilseeds and protein meals, and 2.3 MMT of other raw materials). Unofficially, for MY 2006, UNA estimates feed consumption 2.4 MMT higher. Projections for MY 2007 indicate that feed consumption could fall by 1 - 2 percent, due to higher feed costs, mainly for yellow corn.

POULTRY SECTOR FEED CONSUMPTION - MMT				
	FEED GRAINS (YELLOW CORN)	OILSEEDS AND PROTEIN MEALS	OTHER RAW MATERIALS	TOTAL FEED CONSUMPTION
MY 2005	8.3	2.6	2.3	13.2
MY 2006	8.5	2.7	2.4	13.6 ^①
MY 2007	8.6	2.7	2.4	13.7 ^②
① Preliminary				
② Projection				

Industry sources report that consolidation and investment in infrastructure continues to grow in Mexico's poultry industry, but the expected expansion of large, vertically integrated companies is slowing due to the implementation of provisions contained in Mexico's Federal Economic Competition Law (*Ley Federal de Competencia Economica*). The objective of this law is to restrict monopoly practices. Trade sources report that some vertically-integrated operations could be considered as monopolies under the provisions in the law. In 2005, three leading companies accounted for 52 percent of total domestic production of chicken meat. Medium-size companies are expected to merge into cooperatives and associations, while smaller producers look to becoming contract producers.

CHICKEN FARM COMPOSITION				
	COMPANIES		% PARTICIPATION IN PRODUCTION	
	1996	2005	1996	2005
LARGE	2	3	33	54
MEDIUM	27	32	40	40
SMALL	181	165	27	6

CONSUMPTION

Consumption figures for MY 2007 were revised downward by 1.7 percent to 3,095 MT due to a slowdown in production and expected higher prices. However, the new forecast is still higher than the 2006 estimate. In addition to higher production costs, Mexico's producers could also be hurt by reduced purchasing power among some consumers who are facing higher prices for staple products such as tortillas. Nonetheless, poultry will continue to remain cheaper than other animal protein products such as beef and pork, which should give it a competitive advantage. UNA estimates that average per capita consumption for chicken increased from 53.28 pounds in 2005 to 55.06 pounds for 2006.

TRADE

Chicken and turkey meat continue to be the primary poultry products imported by Mexico. The processing industry imports mechanically separated chicken and turkey (MSC & MST) and poultry cuts as inputs for the domestic sausage and cold-cut industries. Import estimates of chicken cuts, mainly leg quarters, and mechanically separated chicken (MSC) for MY 2007 were revised upward by 7 percent compared to the previous forecast due to rising demand from the processing industry. According to industry sources, some retail store chains began to import whole U.S. chickens in 2006, which were cut up for retail sale. It is uncertain whether this trend will continue in 2007. Import data for MY 2005 was revised upward based on recent Mexican trade data. The United States continues to be the main supplier of chicken meat to Mexico. However, Chile's presence in Mexico's poultry market is expected to continue, mainly in the provision of frozen chicken cuts.

Official figures indicate that 2006 imports of U.S. chicken leg quarters (CLQs) (HTS 0207.13.03 & 0207.14.04) under the poultry safeguard filled the established tariff-rate-quota as of November. According to official data, the CLQ TRQ 2005 was also filled. (see table below for TRQ levels)

Imports of CLQs beyond Mexico's border areas are subject to an over quota tariff of 19.8 percent for 2007. The safeguard will end in January 2008, when the TRQ is phased out and the high-tier tariff drops to zero, as the following table shows:

YEAR	TRQ (MT)	TARIFF	HIGH-TIER TARIFF
2003	100,000	0	98.8
2004	101,000	0	79.0
2005	102,010	0	59.3
2006	103,030	0	39.5
2007	104,060	0	19.8
2008	0	0	0

Concerns over the presence of Low Pathogenic Avian Influenza (LPAI) and Highly Pathogenic Avian Influenza (HPAI) in the United States in 2003 and 2004 resulted in the imposition of import restrictions for poultry and poultry products from several U.S. states. The restrictions

on LAPI were lifted in October 2005, but the HPAI restrictions remain on the following counties in Texas: Gonzales, Guadalupe, Galdwell, Bastrop, Fayette, La Vaca, De Witt, Karnes, Wilson, Comal and Hays. USDA/APHIS is continuing to work with SAGARPA to remove these restrictions.

As a result of the Japan-Mexico Free Trade Agreement, a Tariff Rate Quota (TRQ) was established for Mexican poultry exports to Japan, as the following table shows. The in-quota rate under this TRQ is zero. Industry sources report that to date, no trade has occurred.

YEAR	DATE	TRQ (MT)
1	04/2005-03/2006	10
2	04/2006-03/2007	2,500
3	04/2007-03/2008	4,000
4	04/2008-03/2009	6,000
5	04/2009-03/2010	8,500

POLICY

No further changes from MX 6071. In January 2006, Mexico published a modification of its Avian Influenza regulations; NOM-044-ZOO-1995 "National Campaign against Avian Influenza" (See report MX6013). The new requirements were implemented in April 2006. Imports of U.S. poultry must comply with one of two options regarding AI testing: a) a negative result on 59 samples to AGID or ELISA tests or; b) that the flock/farm of origin is recorded in the National Poultry Improvement Plan (NPIP).

MARKETING

Generic advertising campaigns continue to be a valuable tool for the sector in increasing domestic consumption of poultry products in Mexico. Currently, most poultry meat in Mexico is sold as whole birds. However, the share of poultry sold via supermarkets is expected to grow as consumers become more accepting of poultry cuts and other poultry products. USAPEEC continues to support marketing strategies within the NEPP (NAFTA Egg and Poultry Partnership), which promotes the exchange of information and technical expertise between both the U.S. and Mexican poultry industries.

SECTION II. STATISTICAL TABLES

BROILERS WET MARKET PRICES

BROILERS [®] WET MARKET PRICES, MEXICO CITY PESOS/KILOGRAM				
MONTH	2004	2005	2006	% Change 05/06
JANUARY	18.08	21.63	23.04	6.51
FEBRUARY	18.17	22.38	22.50	0.53
MARCH	19.63	22.50	22.73	1.02
APRIL	18.88	22.83	19.25	(15.68)
MAY	16.83	23.00	26.50	15.21
JUNE	19.35	22.00	19.00	(13.64)
JULY	20.38	22.67	20.33	(10.32)
AUGUST	20.25	22.17	20.58	(7.17)
SEPTEMBER	20.21	21.38	21.50	0.56
OCTOBER	18.10	20.25	21.25	4.94
NOVEMBER	18.50	21.75	20.48	(5.84)
DECEMBER	19.40	19.00	23.58	24.11
ANNUAL AVG.	18.98	21.80	21.73	(0.23)
® WHOLE CHICKEN INCLUDING OFFAL				

SOURCE: NATIONAL POULTRY ASSOCIATION, UNA.

CHICKEN LEG QUARTER WHOLESALE PRICES

CHICKEN LEG QUARTER WHOLESALE PRICES, MEXICO CITY PESOS/KILOGRAM				
MONTH	2004	2005	2006	% Change 05/06
JANUARY	18.34	21.96	17.00	(22.58)
FEBRUARY	18.83	22.55	17.96	(20.35)
MARCH	20.10	20.95	18.91	(9.73)
APRIL	18.62	18.08	18.30	1.21
MAY	18.50	20.34	20.87	2.60
JUNE	19.20	22.98	24.66	7.31
JULY	21.84	27.75	18.57	(33.08)
AUGUST	22.40	27.07	22.42	(17.18)
SEPTEMBER	19.64	22.32	20.05	(10.71)
OCTOBER	19.55	18.23	20.00	9.71
NOVEMBER	20.32	17.17	21.66	26.15
DECEMBER	21.16	18.78	24.50	30.46
ANNUAL AVG.	19.87	21.51	20.41	(24.22)

SOURCE: NATIONAL INFORMATION MARKET SERVICE, (SNIIM)

2004 EXCHANGE RATE AVG.: U.S.\$1.00 = 11.29 PESOS

2005 EXCHANGE RATE AVG.: U.S.\$1.00 = 10.89 PESOS

2006 EXCHANGE RATE AVG.: U.S.\$1.00 = 10.90 PESOS

MEXICAN IMPORTS FOR SELECTED POULTRY PRODUCTS

Jan-Sep 2006

H.S. TARIFF NUMBER	DESCRIPTION & COUNTRY OF ORIGIN	VOLUME MT
0105.11.01	Day old chicks, which do not need feeding during transport	
	U.S.	1,566
	SPAIN	25
	HUNGARY	18
	SUBTOTAL (Thousand head)	1,609
0105.11.02	Breeding stock, layer-type with selected breed certificate when imports are no more of 15,000 heads in each operation	
		596
	U.S. & SUBTOTAL (Thousand head)	596
0105.11.99	Other	
	U.S. & SUBTOTAL	0
0105.19.99	Other (Chickens)	
	U.S. & SUBTOTAL (Thousand head)	5
0207.11.01	Other fresh or chilled whole poultry	
	U.S. & SUBTOTAL	22,314
0207.12.01	Other frozen whole poultry	
	U.S.	1,991
	CHILE	551
	SUBTOTAL	2,542
0207.25.01	Whole frozen turkey	
	U.S.	968
	CHILE	1,205
	OTHER	0
	SUBTOTAL	2,173
0207.33.01	Whole ducks, geese & guineas frozen	
	U.S. & SUBTOTAL	626
0207.26.01	Mechanically deboned turkey meat	
	U.S. & SUBTOTAL	4,085
0207.26.99	Fresh & chilled turkey parts	
	U.S. & SUBTOTAL	82,432
0207.13.01	Mechanically deboned chicken meat fresh or Chilled	
	U.S. & SUBTOTAL	90,896
0207.14.01	Mechanically deboned chicken meat frozen	
	U.S.	29,490
	CHILE	11,233
	SUBTOTAL	40,723
0207.13.99	Fresh & chilled chicken parts	
	U.S. & SUBTOTAL	3,963
0207.14.99	Frozen poultry parts	
	U.S.	6,899
	OTHER	6,820
	SUBTOTAL	13,719
0207.13.03	Chicken Leg Quarter, Fresh/chilled	
	U.S.	57,003
	OTHER	816
	SUBTOTAL	57,819
0207.14.04	Chicken Leg Quarter, Frozen	
	U.S.	56,711
	OTHER	821
	SUBTOTAL	57,532
0207.27.01	Mechanically deboned turkey meat, frozen	
	U.S.	8,543
	OTHER	2,063
	SUBTOTAL	10,606
0207.27.99	Frozen turkey parts	
	U.S.	24,559
	OTHER	4,202
	SUBTOTAL	28,761

H.S. TARIFF NUMBER	DESCRIPTION & COUNTRY OF ORIGIN	VOLUME MT
0207.36.99	Duck, geese or guineas cuts, frozen	
	U.S. & SUBTOTAL	35
0207.14.02 & 0207.36.01	Poultry livers	
	U.S. & SUBTOTAL	3
0407.00.01	Table eggs, fresh, including hatching eggs	
	U.S. & SUBTOTAL	4,285
1601.00.01	Sausages of broiler or turkey	
	U.S.	12,875
	OTHER	48
	SUBTOTAL	12,923
1602.31.01	Processed meat (Turkey)	
	U.S.	1,731
	OTHER	13
	SUBTOTAL	1,744
1602.32.01	Prepared or preserved chicken meat or offal	
	U.S.	5,007
	OTHER	1,187
	SUBTOTAL	6,194
1602.39.99	Other processed poultry meat	
	U.S.	11
	FRANCE	8
	OTHER	6
	SUBTOTAL	25
0207.13.02	Chicken carcasses	
	U.S. & SUBTOTAL	10,181
0207.14.03	Chicken carcasses	
	U.S. & SUBTOTAL	2,336
0207.26.02	Turkey carcasses	
	U.S. & SUBTOTAL	0
0207.27.03	Turkey carcasses	
	U.S. & SUBTOTAL	0

SOURCE: GLOBAL TRADE INFORMATION SERVICES, INC. "WORLD TRADE ATLAS" MEXICO EDITION, SEPTEMBER 2006.